

OFFICIAL DISPATCH

VIA: PRECEDENCE OR DESPATCH

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CLASSIFICATION

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TO : Chief, Foreign Branch "K"

FROM : Chief of Station, Karlsruhe

SUBJECT: General -- Albany Progress Report
Specific -- Meeting with von Malzahn, Chief of Bizonal
Foreign Trade

REF : MGFA-3095

Synopsis: In a meeting with von Malzahn, the general problem of setting up and staffing German trade missions abroad was discussed, and his views on problems surrounding the re-creation of a new Foreign Office were heard.

1. On Friday, 9 September I called on Dr. Vollrath von Malzahn, chief of the Foreign Trade Branch of the Federal Economic Administration. The Bizonal Economic Administration continues to exist despite the setting up of the new Federal Government. Pursuant to the German Basic Law, Art. 130, provides that such agencies are placed under the Federal Government and may be continued, reorganized, or dissolved by Federal authorities. The meeting with von Malzahn was a follow-up to my first meeting with him at a dinner, described in MGFA-3095. I continued my role of a HUSCH lawyer underling being transfer to the staff of the High Commissioner and indicated to von Malzahn that I had contacted the important U.S. official in who would make policy in the German foreign affairs field.

2. I described to him at the outset the organization of McCloy's staff, with emphasis on the fact that foreign affairs and foreign trade representation would come under the Office of Political Affairs, headed by Mr. J. W. Riddleberger, which would have a Division of Foreign Affairs, to be eventually headed by Mr. Guffler, who has been with the Office of the Political Advisor in Berlin. Under Guffler, Mr. Vinson and Lt. Col. Popczak, also of Political Affairs,

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will directly supervise the staffing and organization of German trade consulates and the execution of German foreign policy. I did not inform von Malzahn that a battle royal between these officials and the staff of the Office of Economic Affairs, mostly former ECA people, was sure to develop in the field of foreign trade and foreign policy, which is, of course, one entity.

3. I then questioned von Malzahn about his own plan and possibilities. He said he had no definite assurance of any special job, but that he fully expected to continue to work in the field of foreign trade. He had the full support of Dr. Ludwig Erhard, who is slated to be the first Minister of Economics, and of Dr. Hermann Frick, a likely candidate for head of the Office of Foreign Affairs. Von Malzahn had hoped that a Ministry of Foreign Affairs would be set up, instead of just an office under the Chancellor, so that a German of Minister rank could meet with the Foreign Ministers of other countries in ECA negotiations and other conferences. Minister rank would also help the responsible German official in the budget battles which are sure to begin in the German Federal Government itself. He stated the well-known fact that fear of Allied disapproval had caused the Minister President's Organizational Committee to recommend an Office of Foreign Affairs instead of a Ministry, and he thought that the proposed Office (described in HGF-27) was too small and had too many confused functions. I agreed.

4. Von Malzahn thought that the job of Staatssekretär in charge of the Office of Foreign Affairs would go either to Dr. Pänder, who is at present chief of the Division of Economic Administration, or to Dr. Karl Spicker, Minister-without-Portfolio in the Government of North-Rhine Westphalia. Spicker, a former Zentrum man now in the CDU, was for many years a British agent, working the various Free Germany Movements abroad from 1933 on. Dr. Ludwig Erhard, the coming Minister of Economics, will want to keep all matters of trade agreement negotiations and staffing of trade consulates under his jurisdiction, von Malzahn thought, but he was sure that these functions would eventually gravitate to the Office of Foreign Affairs, where they belonged.

5. On the question of staffing the foreign trade mission, von Malzahn was most emphatic. He said that no former NSDAP member could be used, even if he had been an active anti-Nazi, although some denazified personnel could be used in staff positions within the Ministry of Trade and the Office of Foreign Affairs. He thought that the top four people in the Friedensbüro, American Zone office for studying peace treaty problems, could well be used in high positions in this field. He named Dr. Dietrich Forster and Dr. Helfried Hartmann among others. Dr. Ernst Haeckel, former German diplomat who was for a time Foreign Affairs adviser to Dr. Pänder (see HGF-10),

will not be an important factor in future affairs, von Helldorf thought. He had seen Eichenlohr recently in Badenweiler and was on friendly terms with him, but he thought that Eichenlohr had a too-noble soul and would under Hitler be acceptable today. He emphasized that Eichenlohr was personally an exemplary character, who was too sensitive to stand the buffeting of the press.

6. The SPD, he thought, had only a few candidates fit for foreign service, but he thought that the CDU/CSU government should none-the-less sponsor a bipartisan foreign policy, modeled after that of the United States, and he was eager to recruit some SPD members for posts abroad. He said, for example, that he would like to send an SPD man to Sweden, where Socialistic views were very acceptable. He had recently asked Gerhart Lätgens, SPD foreign affairs expert, to give him a list of people that the CDU would like to place in such work. (This seems to check with Kuf-60, which stated that the SPD Foreign Policy Committee had told Lätgens to draw up such a list.)

7. Von Helldorf stated voluntarily that the British had expressed considerable interest in the staffing of the Office of Foreign Affairs and the setting up of trade consulates abroad. He said that Ambassador G. E. Steel, Political Advisor to the British Military Governor, had visited him and discussed this very problem. Steel lives in Frankfurt and has easy access to German officials here. Von Helldorf then made a significant remark to the effect that the U S need not worry about such "details" as staffing the foreign consulates if they could retain control of trade policy; staffing the missions, he thought, could be left to the British, if the US were attentive to more important matters. This may have been a sincere attempt to call attention to the real importance of trade policy, or it may have been an unguarded indication that von Helldorf had been propositioned by the British. It contrasted greatly with pro-American and anti-British remarks which he had made at our first meeting. It will of course take more evidence than this suspicious remark to show that von Helldorf is a British tool, and it is most likely that he is eager to work with the U S if given a chance. He has had almost no personal contact with high U S officials and has no doubt responded to the friendly approaches of British officials in Frankfurt who mix freely with their German counterparts, take the train to movie at the British theater, and win friends and influence people.

8. The question of U S policy on this whole question is, of course, vital to the success of Albany. If the Office of Political Affairs takes an active interest in the conduct of German foreign affairs, we have a good chance of success, but if the field is surrendered to the economic minions of the other occupying powers, our work will be considerably more difficult. German officials will cheerfully accept the money and disregard the wishes of an inattentive U S administration, while an enlightened U S policy will find many allies among the German officials who are eager to win Germany a place in the field of economic competition and get out from under what they consider to be unfair, competition-stifling British restrictions. As soon as American officials of the Office of

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Political Affairs have had time to make up their mind, our strategy can be mapped in detail. We are also awaiting the detailed organization of the German government. Until it is set up, our target cannot be clearly seen.

9. Von Malsahn seemed very friendly, eager to continue our contact, and agreed to see me again at some time in the near future to discuss these matters further.

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